

BEFORE THE  
POSTAL REGULATORY COMMISSION  
WASHINGTON, D.C. 20268-0001

Permanent Addition of USPS Connect Local Mail )  
Price Category to the Market Dominant Product List ) Docket No. MC2023-12  
)

**COMMENTS OF THE ASSOCIATION FOR POSTAL COMMERCE**

**(December 9, 2022)**

Pursuant to Order No. 6326, the Association for Postal Commerce (“PostCom”) submits these comments on the United States Postal Service’s Revise Request to Convert USPS Connect Local Mail (“CLM”) to a Permanent Offering (“Request”) on the Market Dominant Product List. If approved by the Commission, the addition would take effect on January 22, 2023 and, because it is considered a new product, have no effect on the Postal Service’s rate authority. PostCom does not oppose the continuation of the ongoing market test of CLM, but for the reasons explained below, the Commission should reject the Postal Service’s instant request without prejudice.

**I. THE POSTAL SERVICE REQUEST IS PREMATURE**

The Postal Service has not exhausted the time available to continue testing the viability of CLM, and according to the reported volumes to date, is in no danger of exceeding the annual revenue limitations governing market tests. In fact, according to the Statement of Justification (“SOJ”) included in the Postal Service’s request, the Postal Service anticipates revenues of only \$8.5 million three years from now.

As a new product, CLM faces some significant headwinds. Mail overall has been declining steadily for more than ten years, and the Postal Service has struggled to maintain

compensability for all of its flat-shaped categories for nearly as long. While CLM has a higher rate than other First-Class Mail Flats, its underlying costs have not yet been studied and, therefore, its cost coverage is speculative at best. Given these circumstances, the Postal Service should exercise all available caution in determining when and whether to include CLM in its permanent Mail Classification Schedule.

The Postal Service predicates its request in this Docket on its conclusion that the market test of USPS Connect Local Mail has proven successful. At best, that finding is a matter of interpretation that rests on scant empirical data. According to the data included in the Postal Service's request, after three quarters providing CLM, fewer than 20,000 pieces had been sent.

While the Postal Service projects growth for the product (see above), estimates of growth are based on confounding assumptions. In its SOJ, the Postal Service bases CLM growth estimates on its experiences with USPS Connect Local Packages and Every Door Direct Mail. The former is a competitive product, whereas the latter is a bulk marketing product. Neither provides a credible basis for growth projections of a hard-copy expedited document handling service. Nor are three quarters of empirical demand data sufficient for blunt extrapolation. Frankly, the Postal Service needs to compile additional data on usage before it can make reasonable estimates of future performance for CLM.

## **II. THE POSTAL SERVICE SHOULD EXPAND AVAILABILITY DURING ITS MARKET TEST**

The Postal Service's request includes proposed changes to the Mail Classification Schedule that would specifically impact First-Class Mail Flats, including the following description of the CLM category:

- USPS Connect Local Mail – Next day or same day delivery within a specified service area available to mailers who use *specifically authorized*

*postage payment methods* and, pursuant to a customer agreement on file with the Postal Service, either enter flats at a designated destination delivery unit (or other equivalent facility) or use carrier line-of-travel pickup.

As far as PostCom is aware, the only “specifically authorized postage payment method” that can be used to send CLM is the Postal Service’s own Click-N-Ship platform. PostCom is not aware of any comparable restriction placed on any other Market Dominant product. This appears to be a fairly significant impediment to growth of the product. If, as we suggest, the Postal Service continues with its market test, we urge that this limitation be lifted.

Moreover, viewed in a less charitable light, the limitation could be viewed as an attempt by the Postal Service to advantage its own payment platform relative to others. With regard to postage evidencing, the Postal Service performs a regulatory function. Advantaging its own platform relative to competing payment methods would raise serious competitive and ethical issues. This restriction arguably runs afoul of 39 U.S.C. § 404a(a)(1), which prohibits the Postal Service from establish any standard “the effect of which is to preclude competition or establish the terms of competition.” The SOJ makes no showing that this restriction “does not create an unfair competitive advantage” for the Postal Service. *Id.* The Postal Service can, and should, assuage these concerns by allowing additional payment alternatives.

In a similar vein, the Postal Service’s proposal would require that CLM pieces bear an Intelligent Mail parcel barcode (“IMPb”) rather than the Intelligent Mail barcode (“IMb”) typically used by users of First-Class Mail Flats. PostCom is concerned that this requirement will limit adoption of CLM.

### **III. SUMMARY**

PostCom continues to support efforts by the Postal Service to test new products and encourages the Postal Service to continue testing CLM. PostCom is particularly encouraged by the Postal Service's apparent eagerness to "to capture as-yet untapped mail volumes." Request at 3. In that spirit, PostCom encourages the Postal Service to pursue other available opportunities such as Market Dominant negotiated service agreements and further use of incentives.

Respectfully submitted,

*/s/ Matthew D. Field*

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